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RUEHDK/AMEMBASSY DAKAR 0819  
RUEHKM/AMEMBASSY KAMPALA 1253  
RUEHNR/AMEMBASSY NAIROBI 3616  
RUEHFR/AMEMBASSY PARIS 1025  
RUEHRO/AMEMBASSY ROME 1659  
RUEHBS/USEU BRUSSELS  
RUEHGV/USMISSION GENEVA 0560  
RHEHNSC/NSC WASHDC  
RUCNDT/USMISSION USUN NEW YORK 1411  
RUEKJCS/JOINT STAFF WASHDC  
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C O N F I D E N T I A L SECTION 01 OF 03 HARARE 000493

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AF/S FOR B. NEULING  
NSC FOR SENIOR AFRICA DIRECTOR C. COURVILLE  
STATE PASS TO USAID FOR M. COPSON AND E. LOKEN  
TREASURY FOR J. RALYEA AND B. CUSHMAN  
COMMERCE FOR BECKY ERKUL

E.O. 12958: DECL: 01/12/2016  
TAGS: [ECON](#) [EAGR](#) [EFIN](#) [PGOV](#) [ASEC](#) [ZI](#)  
SUBJECT: GOZ UNVEILS YET ANOTHER VACUOUS RECOVERY PLAN

REF: HARARE 0469

Classified By: Ambassador Christopher Dell under Section 1.4 b/d

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Summary  
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¶1. (C) Long on grand targets, undefined "quick-win strategies," and unrealistic time frames for recovery, Zimbabwe's latest economic recovery plan falls woefully short on substance. The four priority areas outlined in the National Economic Development Priority Programme (NEDPP) announced on April 19 are: unrealistically ambitious crop yields to be achieved by certain targeted farmers; foreign exchange generation from "friendly countries;" mobilization of savings via strategic partnerships for parastatals; and investment generation, again, primarily from "friendly countries." Driving NEDPP at the apex of a hierarchy of new public-private taskforces, committees and councils is the Zimbabwe National Security Council, chaired by President Mugabe. Analysts are generally skeptical of the focus on quick fixes and the program's glaring lack of substance. We see no indication that the GOZ is ready to end its command control economic policy. End Summary.

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Ambitious Macroeconomic Targets...  
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¶2. (SBU) The NEDPP aims to stabilize the economy within six to nine months through the implementation of "quick-win

strategies" in four priority areas:

- food security and increased agricultural production;
- foreign exchange generation;
- increased savings; and
- enhanced investments

For details of the "quick-win strategies," the NEDPP policy paper refers readers to another vacuous paper, the October 2005 Ministry of Economic Development's "Vision 2020 and Strategies and Priorities for the Medium/Long Term Transformation of the Economy" (e-mailed to AF/S).

¶3. (SBU) The NEDPP lists macroeconomic targets for 2006 including GDP growth of 1-2 percent (after eight years of contraction), end-year inflation of 230-250 percent (down from today's official and still rising rate of 913 percent), agricultural and mining sector growth of 9 and 15 percent respectively (up from 12 and 11 percent contraction in 2005), and "usable" reserves of US\$20 million (up from US\$3.8 million in 2005).

¶4. (SBU) The program targets specific crops and aims to identify and support "capable farmers." The NEDPP's key crop projections for 2006, however, are in some cases as much as double independent estimates. In the agriculture sector, the recovery program is heavy on new institutions and a commitment to revamp and strengthen the very bodies that have failed it so horrifically in the past: the Agriculture and Rural Development Authority (ARDA) and the Grain Marketing Board (GMB).

¶5. (U) To generate foreign exchange, the NEDPP calls for

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mobilization of "inflows" and support from "friendly countries and financial institutions... especially from the Far East and the Middle East countries." The resuscitation of closed and distressed companies will stem the contraction of the manufacturing sector (7 percent in 2005), according to the program. The tourism sector will target the Far East as a major source of foreign exchange. (Note: Arrivals from Asia were 54 percent off 2004 figures last year; arrivals from China/Hong Kong were down 72 percent.)

¶6. (U) Increased savings will come from mobilization of "micro-savings" (Note: Most working Zimbabweans now earn less than the official poverty datum level), and from restructuring the most moribund parastatals and securing strategic alliances for them with undisclosed partners. Foreign direct investment will flow from "emerging giants such as China, India, Singapore and South Korea, which according to recent statistics have large holdings of international reserves." At the program launch, Reserve Bank of Zimbabwe Governor Gono asserted that US\$2.5 billion in FDI would flow into Zimbabwe within 90 days.

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Structure of the NEDPP

¶7. (U) The Zimbabwe National Security Council (ZNSC), chaired by President Mugabe, is at the apex of the NEDPP, driving its coordination and implementation. Under the ZNSC and interacting with the private sector is the National Economic Recovery Council (NERC), chaired by Vice President Mujuru and made up of selected Cabinet Ministers and representatives of the private sector. Reporting to the NERC is the Technical Committee, chaired by the Chief Secretary in the Office of the President and Cabinet. The Technical Committee supports the NERC and oversees seven public-private taskforces (reftel), responsible for:

- agriculture coordination, input supply and food security;
- domestic and international resource mobilization;
- human skills identification, deployment and retention;
- Look East promotion and implementation of programmes;
- import substitution and value addition
- foreign exchange mobilization and use;

- Small and Medium Enterprises promotion and distressed companies rehabilitation

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But All Show and No Substance  
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18. (C) World Bank Lead Economist in Zimbabwe Sudhir Chitale related to econoff on April 26 his view that the NEDPP was "much worse" than any in a long litany of previous recovery programs. Economic analyst John Robertson acknowledged to econoff on April 27 that the 78-paragraph policy statement (e-mailed to AF/S) accurately identified the effects of Zimbabwe's economic distress. In blaming "international sanctions" and the absence of a "shared national vision," it failed, however, to get the causes right. He described the NEDPP as "wishful thinking that has been dressed up to look like accomplishment, or soon-to-be accomplished fact." In the program's spotlight on public-private taskforces, Robertson discerned a GOZ strategy of disarming critics while

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setting the private sector up to be blamed for eventual failures.

19. (C) Pattison Sithole, President of the Confederation of Zimbabwe Industries (which is coordinating the NEDPP secretariat), and member of the NEDPP taskforce on foreign

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exchange mobilization, told econoff on April 26 that the committees were now in "crunch time," and had narrowed the priority issues to the exchange rate, subsidies, and parastatal revival. According to Sithole, they were "even looking at land." He said that a once-off devaluation of the Zimbabwean dollar would not be "good enough," as the rigid exchange policy was also at the root of the subsidy problem. He also commented that the "top man got cold feet" in January when the currency had depreciated too fast and too far.

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Comment  
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110. (C) Private industry (at least those business leaders who are not beholden to the GOZ) is not impressed with the program; nor are we. In fact, the "plan" in the NEDPP amounts to little more than a statement of far-fetched wishes, or what Oscar Wilde once called "the triumph of hope over experience." We agree with Sithole's assessment that once the committees zero in on the key issues of exchange rate policy, subsidies, parastatal support, and land, it really is "crunch time". We see no indication that the GOZ is ready to end its command control economic policy, let alone address the underlying problems of misgovernance. In fact, the NEDPP public-private partnerships appear simply to be pushing the private sector to make old GOZ policies finally work. Similarly, the call for a "shared national vision" sounds more like a call for the private sector to join in the GOZ's national vision rather than a genuine participatory process aimed at coming up with new ideas. Furthermore, as long as the "top man" chairs the Council that will drive implementation of economic reform, we see this new program, announced with great fanfare, as just one more in a series of failed turnaround plans entirely lacking in substance.  
DELL